Inland Revenue

Notes on PARTNERSHIP (FULL VERSION)

CONTENTS

Filling in the Partnership Pages	PN1
• The Partnership Tax Return	PN1
• The Partnership Statement	PN1
• If you were a member of more than one partnership or the partnership carried on more than one business	PN1
• Changing between self-employment and partnership	PN2
• If the partnership disposed of any chargeable assets	PN2
• Pension payments	PN2
• Intermediaries legislation - IR35	PN2
Partnership details	PN2
Your share of the partnership's trading or professional income	PN2
National Insurance contributions	PN3
Class 4 National Insurance contributions	PN4
Investment income	PN4
Your share of untaxed income	PN5
■ ***Income from UK savings***	PN5
■ ***Income from foreign savings***	PN5
■ ***Other untaxed UK income***	PN5
■ ***Other untaxed foreign income***	PN5
■ ***Income from offshore funds***	PN5
■ ***Income from UK land and property***	PN5
■ ***Allowable loss on furnished holiday lettings***	PN5
■ ***Overlap relief - untaxed investment income***	PN6
Your share of taxed income and tax paid	PN6
• Accrued income	PN6
Glossary	PN6

HELP SHEETS AND LEAFLETS

Help Sheets and leaflets giving more detailed information about particular tax rules for partnerships are available from the Orderline.

- *IR220: More than one business*
- *IR222: How to calculate your taxable profits*
- *IR224: Farmers and market gardeners*
- *IR227: Losses*

Filling in the Partnership Pages

You must fill in the Partnership Pages if, at any time during the 2000-2001 tax year, you were entitled to a share of profits, losses or income from a business which you carried on in partnership.

But read the note on page PN2 if you carried on the same business in partnership and as a sole trader during this year.

• The Partnership Tax Return

You are jointly responsible, with your partners, for making a Partnership Tax Return for 2000-2001. The records used to complete it should be kept until at least 31 January 2007 in case your Inland Revenue office asks to see them.

Each partner who was a member of the partnership during the return period will be liable to an initial automatic penalty of £100 if the completed Partnership Tax Return is not sent back to me on time. Penalties are also chargeable on each partner if the Partnership Tax Return is incorrect through the fraud or negligence of any partner. The Inland Revenue will normally have until 30 January 2003 to decide whether an enquiry is necessary to check the accuracy of the figures in the Partnership Tax Return.

• The Partnership Statement

The Partnership Tax Return includes a summary of the share of profits, losses or income allocated to you during any period for which you were a member of the partnership. It is called the 'Partnership Statement' and you should use the information in that Statement to complete your Partnership Pages.

If the partnership makes up its accounts to more than one accounting date in 2000-2001, then it may have been required to complete a separate Partnership Statement for each period.

There are two types of Statement:

- a 'full', unabridged, version covering all the possible types of partnership income you might receive, **and**
- a 'short', abridged, version for partnerships that only have trading income and interest received, with tax deducted, from banks, building societies or other deposit takers.

Most partnerships will complete the short Partnership Statement, and the partners can use the short Partnership Pages.

However, you should fill in the full Partnership Pages if your partnership completes the full Partnership Statement.

The following notes explain how to complete the full Partnership Pages. They use technical terms such as 'trade', 'basis period' and so on. They explain these terms as fully as possible, but they are not a comprehensive guide in all circumstances. If you are in doubt about the correct tax treatment of a particular item, ask your Inland Revenue office or tax adviser for advice. There is also a glossary of terms on page PN6.

• If you were a member of more than one partnership or the partnership carried on more than one business

Separate Partnership Statements will be completed:

- for each partnership of which you were a member
- for each business if the partnership carried on more than one business.

In these circumstances you must complete a set of the relevant Partnership Pages for each partnership and/or business. Either photocopy blank pages you already have or ask the Orderline for more copies. If you use photocopies, please fill in your name and tax reference on each set.

You should also ask the Orderline for *Help Sheet IR220: More than one business*. It includes a Working Sheet to deal with special rules for Class 4 National Insurance contributions.

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• Changing between self-employment and partnership

Normally you will need to complete the Partnership Pages if you were a partner during the year ended 5 April 2001 and the Self-employment Pages if you were self-employed during that period. Where you carried on the same business during the year, but did so as a sole trader for part of the year and in partnership for part, follow the guidance below.

Step 1 Identify your basis period for this year. See the notes for boxes 4.5 and 4.6 in the next column.

Step 2 Do not treat the date of change from sole trade to partnership, or partnership to sole trade, as requiring an entry in either box 4.3 or 4.4.

Step 3 Check whether the accounts information for any accounting period relating to your basis period has been returned in the Partnership Tax Return.

Step 4 If it has, you should complete the Partnership Pages and calculate your taxable profit or allowable loss for this year. This will be based on:

- your share of the partnership profit or loss shown in the Partnership Statement, together with
- the profit or loss of any accounting period affecting your basis period during which the business was not carried on in partnership for which you have entered details in boxes 3.14 to 3.73 in the Self-employment Pages.

Step 5 Otherwise, enter the accounts information in boxes 3.14 to 3.73 and 3.99 to 3.115 in the **Self-employment Pages** and complete boxes 3.74 to 3.98 in those Pages to calculate your taxable profit or allowable loss for this year. Do **not** complete the Partnership Pages.

• If the partnership disposed of any chargeable assets

The Partnership Tax Return shows details of the chargeable assets disposed of. Do not enter details of the capital gains arising on your share of the proceeds from the disposal of partnership assets in these Pages. Enter details in the Capital Gains Pages instead, unless

- the total value of **all** the assets you disposed of in 2000-2001 (through the partnership or otherwise) is no more than £14,400, **and**
- your total chargeable gains do not exceed £7,200,

in which case no tax will be due. See your Tax Return Guide for more details.

• Pension payments

If you want to claim relief for pension payments, contributions to retirement annuities, or for additional voluntary contributions, fill in Question 14 on page 5 of your Tax Return.

• Intermediaries legislation - IR35

If the partnership provided your services to clients in circumstances where you would be an employee if you worked for the client directly and not through the partnership, then new rules about tax and National Insurance contributions introduced from 6 April 2000 may apply. See the section 'IR35 - the provision of personal services through a partnership' on *Help Sheet IR222: How to calculate your taxable profits.* It tells you what adjustments are to be made to your taxable income and where these should be entered on your Tax Return.

Partnership details

boxes 4.1 and 4.2 Make sure you complete these boxes for each set of Pages you fill in. Enter the partnership tax reference number in box 4.1 and describe the partnership trade or profession, for example 'farming' or 'contracting', in box 4.2.

boxes 4.3 and 4.4 If you became a partner after 5 April 2000, you should enter that date in box 4.3. If you stopped being a partner before 6 April 2001, you should enter that date in box 4.4. But ignore these boxes if you have changed from sole trade to partnership or partnership to sole trade.

Your share of the partnership's trading or professional income

boxes 4.5 and 4.6 You pay tax for 2000-2001 on the profits and losses of your 'basis period'. For this purpose the normal basis period rules for trading and professional income are applied to your share of the partnership's profits (and losses), as if that income had arisen to you from a business that you carried on alone. These notes describe this as your 'notional business'. After the first one or two years as a partner, your basis period will be the same as the partnership's accounting period, unless the partnership changes its accounting date. For example, if the partnership's accounting date is 31 December and you became a partner on 1 January 1999, your basis period for 2000-2001 is the 12 months from 1 January 2000 to 31 December 2000.

However, your 'notional business' will be regarded as having commenced on the date you became a partner, or if you previously carried on the partnership business on your own account, the date you first started that business. It will be regarded as having ceased on the date you ceased to be a partner, or, if you subsequently carried on the business on your own account, the date you ceased to carry on that business.

Full details of the rules used to determine your basis period are in *Help Sheet IR222: How to calculate your taxable profits.*

Enter the date on which your basis period starts and ends in boxes 4.5 and 4.6 respectively.

boxes 4.7 and 4.8 Your share of the partnership's profit or loss is the amount shown in the Partnership Statement. You should not make any adjustments to that figure other than those described below.

If your basis period is the same as the partnership's accounting period, enter your share of the partnership's profit or loss in box 4.7 (enter a loss in brackets) and ignore box 4.8.

In any other case, you will need to calculate the profit or loss of the basis period by adding together (or subtracting, as appropriate) your share of the profits or losses of the partnership's accounting periods. Enter your share of the profits or loss for the partnership's accounting period ended in 2000-2001 in box 4.7 (enter a loss in brackets). If more than one accounting period ends in 2000-2001, enter the share of profit for the most recent set of accounts. If no accounting period ends in 2000-2001 enter '0' in box 4.7.

To arrive at your profit or loss for your 2000-2001 basis period, enter in box 4.8 the amount to be added to, or subtracted from, the figure in box 4.7. If this adjustment means you need to deduct a figure at box 4.8, enter the figure in brackets and remember to subtract it in arriving at your total taxable profit. *Help Sheet IR222: How to calculate your taxable profits* explains how to calculate the adjustments.

If you carried on the partnership business as a sole trader during any part of your basis period, the adjustment in box 4.8 may include amounts for:

- the partnership's accounting period(s)
- the accounting period(s) when you carried on the business alone, for which you have entered details in boxes 3.14 to 3.73 and 3.99 to 3.115 in the Self-employment Pages, **or**
- a combination of the two.

You may not be able to complete box 4.8 because it is impossible for the partnership to prepare the accounts needed to enable you to calculate the adjustment before the latest date for sending your Tax Return. If so, you should provide an estimate, tick box 23.3 in the Tax Return and explain in the 'Additional information' box, box 23.6 on page 8 why you cannot provide a final figure, and enter the date by which you expect to be able to do so.

If, because of your residence status, you are taxable on the remittance basis on profits arising overseas, the amount to be entered in box 4.7 is your share of the partnership profit drawn up in accordance with the rules for non-residents (the UK profit only).

boxes 4.9 to 4.11

Overlap profits and relief

If the partnership's accounting date is a date other than 5 April then overlaps in your basis periods may occur:

- in the first three years after your 'notional' business starts up - see the notes on boxes 4.5 and 4.6, **or**
- in a year in which there is a change in the partnership's accounting date.

You may be able to claim overlap relief for the profit (the overlap profit) which arises in any overlap period.

Overlap relief may be due for 2000-2001 if:

- you ceased to be a partner in 2000-2001, **or**
- the partnership's business ceased in 2000-2001, **or**
- the partnership changed its accounting date in 2000-2001 and your basis period, as shown in boxes 4.5 and 4.6, exceeds 12 months.

Enter in box 4.9 any unused overlap profit (including any unused transitional overlap profit) brought forward from 1999-2000; in box 4.10 any overlap profit used in 2000-2001; and in box 4.11 any unused overlap profit carried forward to 2001-2002.

Ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* which contains instructions on how to calculate overlap profits and how to claim overlap relief.

box 4.12 If the partnership carried on a farming business, you may be able to claim to average your share of two years' profits. Ask the Orderline for *Help Sheet IR224: Farmers and market gardeners,* which explains this. The amount of the adjustment to enter here is the amount by which the profit for the higher of the two years is reduced by the claim. This entry does not change the amount of any loss in box 4.14.

Also use box 4.12 to claim credit for foreign tax deductions, if you are not claiming tax credit relief in the Foreign Pages for foreign tax paid; please also enter the amount in the 'Additional information' box, box 4.79 on Page P4.

box 4.12A If the partnership is carrying on a profession or vocation and has previously used a 'cash' or 'conventional' basis to calculate its profits, enter in box 4.12A the amount of the 'adjustment' in box 11A on your Partnership Statement.

boxes 4.13 and 4.14 If box 4.7 and the adjustments in boxes 4.8 and 4.10 result in a profit and you have not claimed farmer's averaging (box 4.12) or made a special adjustment for the change in accounting for professions or vocations on a cash basis (box 4.12A), enter the profit in box 4.13 and '0' in box 4.14. If you have made an entry in either box 4.12 or 4.12A, adjust the profit by that amount and enter the resulting figure in box 4.13 and '0' in box 4.14.

If box 4.7 and the adjustment in boxes 4.8 and 4.10 result in a loss, enter this figure in box 4.14 and '0' in box 4.13 unless you have claimed farmer's averaging (box 4.12) or made a special adjustment for the change in accounting for professions and vocations on a cash basis (box 4.12A). If you have made an entry in either box 4.12 or 4.12A, enter this figure in box 4.13 (and the loss in box 4.14).

If the partnership made a loss, you may be able to claim tax relief for your share of that loss. If you want information about losses, ask the Orderline for *Help Sheet IR227: Losses.* If you have now left the partnership, or the partnership's business has now ceased, you should ask for *Help Sheet IR222: How to calculate your taxable profits.*

Time limits: some claims must be made by 31 January 2003. You should ensure that any claims you wish to make are made within the time limit prescribed. Late claims cannot normally be accepted.

box 4.15 *Help Sheet IR227: Losses* provides information on how you may claim tax relief on losses. If you wish to offset your 2000-2001 loss against other income of 2000-2001, enter in box 4.15 the amount you are claiming to offset.

box 4.16 If you want to offset the 2000-2001 loss against income of an earlier year, enter the amount of the loss in box 4.16. If you were a member of a partnership which commenced business prior to 6 April 1994, ask your Inland Revenue office or tax adviser to find out the amount you can claim. If you have already claimed to offset this loss, you should still include it in the entry in box 4.16, and enter the amount repaid in the 'Additional information' box, box 23.6 on page 8 of your Tax Return.

box 4.17 Enter in box 4.17 any losses sustained in 2000-2001, but not claimed in any other way, that you claim to carry forward against later profits (where your business is subsequently transferred to a company in exchange for shares in that company you may be able to set unused losses carried forward against income from the company - see the note for box 15.8 on page 22 of your Tax Return Guide).

boxes 4.18 and 4.19 Enter in box 4.18 any losses sustained in the same business in earlier years that you claimed to carry forward against later profits but have not already used. You can use that loss to offset any profit in box 4.13. Enter in box 4.19 the amount you are deducting up to the figure in box 4.13.

box 4.21 Enter any amounts that have not been included in the partnership accounts but which are needed to calculate your taxable profits; for example, any Enterprise Allowance (sometimes called Business Start-Up Allowance) you received in the year to 5 April 2001. This will normally have been paid to you rather than the partnership and therefore will not have been included in the Partnership Tax Return.

National Insurance contributions

Self-employed people are generally liable for the flat-rate Class 2 contributions and may be liable to pay the profit-related Class 4 contributions (see the section on Class 4 contributions). Class 2 contributions give entitlement to certain contributory benefits including retirement pension, maternity allowance and incapacity benefit. Benefit may be lost if Class 2 contributions are not paid or are paid late. If you have not already registered as self-employed for National Insurance contributions you can obtain more information about paying by ringing the NICO Contact Centre on 0845 9154655, or by writing to the Inland Revenue National Insurance Contributions Office at:

NICO Contact Centre,
Customer Account Section,
Longbenton,
NE98 1ZZ.

Please have your National Insurance number available when ringing the Contact Centre and include it in any correspondence with Self Employment Services.

Class 4 National Insurance contributions

Partners must pay Class 4 contributions on profits from the partnership unless they are 'excepted'. The contributions are a percentage of taxable profits for the tax year between lower (£4,385) and upper (£27,820) profit limits.

box 4.23 You are excepted from paying Class 4 contributions for 2000-2001 if you were:

- a man aged 65 or over, or a woman aged 60 or over, (this includes a person whose birthday fell on 6 April 2000), **or**
- aged under 16 on 6 April 2000 and the Inland Revenue National Insurance Contributions Office has granted you exception (to apply for exception ask for form CA 2835U, from the Inland Revenue National Insurance Contributions Office), **or**
- not resident in the UK for tax purposes during 2000-2001 (ask your Inland Revenue office if you do not know whether this applies to you).

It is possible for certain other people to be excepted from paying Class 4 contributions. If you think you may be excepted because you are a trustee, **or** a diver or diving supervisor, **or** a sleeping partner, ask your Inland Revenue office or tax adviser.

Sometimes, where both Class 1 and Class 4 contributions could be due, Class 4 contributions may not be payable. In these circumstances the Inland Revenue National Insurance Contributions Office may agree for your Class 4 contributions to be 'deferred' until your overall contributions can be determined. Only the Inland Revenue National Insurance Contributions Office can agree to deferment and its leaflet CA72 gives further details.

If you were excepted from Class 4 NIC, or the Inland Revenue National Insurance Contributions Office has agreed to defer contributions:

- tick box 4.23
- leave boxes 4.24 and 4.25 blank
- explain in the 'Additional information' box, box 4.79 that you are excepted or deferred, and give the reason.

boxes 4.24 and 4.25 If this is your only business, use the Working Sheet opposite to arrive at figures to go in boxes 4.24 and 4.25.

If you have more than one business, do not use the Working Sheet. Instead, ask the Orderline for *Help Sheet IR220: More than one business.*

Working Sheet for NICs (one partnership interest only)

Taxable profit for 2000-2001	**A**	From box 4.22 £
Adjustments to profits chargeable to NICs (see notes* below)	**B**	Copy to box 4.24 £
Profit for National Insurance contributions (A *minus* B)	**C**	A *minus* B £
Exempt threshold	**D**	£ 4,385
Amount chargeable (Maximum £23,435 in box E)	**E**	C *minus* D £

If you want to calculate your tax, complete box F and copy it to box 4.25 in your Partnership Pages. If you want me to calculate your tax, ignore boxes F and 4.25.

Class 4 NIC due (Maximum £1,640 in box F)	**F**	E x 7% £

* **The cash basis 'adjustment'** is not taken into account for Class 4 NICs so in box B you should deduct the amount of the 'adjustment' in box 11A of your Partnership Statement (and which you entered in box 4.12A).

* **Trading losses** of this business from 1999-2000 and earlier years that have not yet been set against profits chargeable to Class 4 NIC, may be brought forward and set against the Class 4 profits of the same business for 2000-2001. (This is because losses that are allowable for tax are also treated as losses arising for the purposes of Class 4 NIC. They may be allowed for Class 4 in the same ways as losses are allowed for tax.)

* **Interest** can be deducted in calculating Class 4 profits if it was incurred for the purposes of your business but has not been deducted in arriving at your taxable profits. Include

- any such interest from 1999-2000 and earlier years that has not been set against previous Class 4 profits
- any such interest paid in 2000-2001.

* **Losses** arising from furnished holiday lettings are not allowable for Class 4 NIC purposes.

Investment income

You must fill in boxes 4.26 to 4.78 as appropriate if you carried on a business in partnership in 2000-2001 and the partnership received any investment income, that is, income other than trading or professional income. Income from which UK tax has been deducted (taxed income) should be entered in boxes 4.68A to 4.78. Other investment income (untaxed income) should be entered in boxes 4.26 to 4.67.

For **taxed income**, all partners **must return the income of the year to 5 April 2001**.

For **untaxed income**, the period for which you must return income can vary.

You should normally return income for the same basis period as applies to the trade or professional income. Any adjustments you need to make will be of the same type as the adjustment made for your share of trade or professional income. But if the partnership has no trade or professional income, then income should be returned for the year to 5 April 2001 instead.

Your share of untaxed income

boxes 4.26 and 4.27 If the partnership carried on a trade or profession in 2000-2001, the basis period for any untaxed income is normally the same as that for your share of the partnership's trade or professional income. Full details of the rules are given in *Help Sheet IR222: How to calculate your taxable profits*, available from the Orderline. The 'untaxed income' is treated as having been derived from a second 'notional' business that you carried on alone. That business will be treated as having commenced on the date you became a partner and having ceased on the date you ceased to be a partner. Enter the appropriate basis period in boxes 4.26 and 4.27.

You may be required to make adjustments to convert your shares of income for the partnership's accounting periods into your taxable profit for your basis period. These adjustments are equivalent to the adjustments made in box 4.8 for trading or professional income.

If the partnership did not carry on a trade or profession in 2000-2001, that is, it carried on a pure investment business, the basis period is the tax year. Enter 6 April 2000 in box 4.26 and 5 April 2001 in box 4.27. No adjustments will be required.

Income from UK savings

boxes 4.28 to 4.30 Enter in box 4.28 your share of the partnership's income from UK savings from which no UK tax has been deducted for the appropriate period in 2000-2001. Enter in box 4.29 the adjustment needed, if any, to arrive at the income for your basis period.

Enter in box 4.30 the amount of your share of the partnership's income from UK savings for your basis period.

Include in the figure in box 4.28 the gross amount of your share of any partnership National Savings Bank Ordinary Account interest. Include in box 4.29 any remaining amount of the first £70 exemption that will not be used against personal NSB Ordinary Account interest (personal NSB interest goes in box 10.8 on page 3 of your Tax Return). Include the net taxable amount of your share of **partnership** NSB Ordinary Account interest in box 4.30.

Income from foreign savings

boxes 4.31, 4.32 and 4.34 Enter in box 4.31 your share of the partnership's income from foreign savings from which no UK tax has been deducted for the appropriate period. Enter in box 4.32 the adjustment needed, if any, to arrive at the income for your basis period which should be entered in box 4.34.

- Foreign tax

box 4.33 You can claim tax credit relief in the Foreign Pages, available from the Orderline, for foreign tax paid. You do not have to claim tax credit relief but it is usually to your advantage to do so. Enter in box 4.33 the amount of foreign tax for which you are **not** claiming tax credit relief. Deduct it before putting the result in box 4.34.

Other untaxed UK income

boxes 4.36 to 4.42 Enter your share of the partnership's other untaxed income for the appropriate period at box 4.37. If there was a loss, enter it in box 4.36. Make adjustments in boxes 4.38 or 4.39 to arrive at the profit (or loss) for your basis period which should be entered in box 4.42.

Enter in box 4.40 the loss sustained in this activity in 1999-2000, or earlier years, and which you have claimed to carry forward against later profits. This amount should be deducted from the profit of your basis period to arrive at the taxable profit to be entered in box 4.42. The balance of losses to be carried forward after taking into account any loss sustained in 2000-2001 at box 4.36 (as adjusted at box 4.38) should be included in box 4.41.

Other untaxed foreign income

boxes 4.43 to 4.50 Enter your share of the partnership's other foreign income from which no UK tax has been deducted for the appropriate period in box 4.44. If there was a loss, enter the figure in box 4.43. Make adjustments in boxes 4.45 or 4.46 to arrive at the profit for your basis period which should be entered in box 4.50. Enter '0' if a loss.

Enter in box 4.47 the loss sustained in this activity in 1999-2000 or earlier years which you have claimed to carry forward against later profits. This amount should be deducted from the profit of your basis period, together with any figure in box 4.48, to arrive at the taxable profit to be entered in box 4.50. Enter '0' if a loss. The balance of losses to be carried forward after taking into account any loss sustained in 2000-2001 at box 4.43 (as adjusted at box 4.45) should be included in box 4.49.

- Foreign tax

boxes 4.48 and 4.50 You can claim tax credit relief in the Foreign Pages, available from the Orderline, for foreign tax paid. You do not have to claim tax credit relief, but it will usually be to your advantage to do so. Enter in box 4.48 the amount of foreign tax for which you are **not** claiming tax credit relief. Remember to deduct it from the profit of your basis period before putting the result in box 4.50.

Income from offshore funds

boxes 4.51 and 4.52 Enter your share of the partnership's income from offshore funds for the appropriate period in box 4.51. Enter in box 4.52 the adjustment needed to arrive at the income for your basis period.

- Foreign tax

boxes 4.53 and 4.54 You can claim tax credit relief in the Foreign Pages, available from the Orderline, for foreign tax paid. You do not have to claim tax credit relief, but it will usually be to your advantage to do so. Enter in box 4.53 the amount of foreign tax for which you are **not** claiming tax credit relief. Remember to deduct it from the income of your basis period before putting the result in box 4.54.

Income from UK land and property

boxes 4.55 to 4.59 Enter in box 4.55 your share of the partnership's income or loss from UK land and property for the appropriate period. If there was a loss, enter the figure in box 4.55 in brackets. Enter in box 4.56 the adjustments to arrive at the profit (or loss) for your basis period.

Enter in box 4.57 the loss sustained in this activity in 1999-2000, or earlier years, which you have claimed to carry forward against later profits. This amount should be deducted from the profit of your basis period to arrive at the taxable profit or loss to be entered in box 4.59. The balance of losses to be carried forward after taking into account any loss sustained in 2000-2001 in box 4.55 (as adjusted by box 4.56) should be included in the entry in box 4.58.

Allowable loss on furnished holiday lettings

boxes 4.60 to 4.63 Enter in box 4.60 your share of the allowable loss from furnished holiday lettings for 2000-2001.

If you want to set your share of that loss against other rental income from the partnership, include it in box 4.63 - the amount that you deduct should never exceed the figure in box 4.59.

If you want to set your loss against other income you had in 2000-2001, enter the amount you want to claim in box 4.61. But remember, the amount you claim should never exceed the total amount of your taxable income. To set it against 2000-2001 capital gains, include it in the entry in box 8.5 of the Capital Gains Pages and not in box 4.61.

If you want to set your losses against income and gains for an earlier year, enter the amount you are claiming in box 4.62. Enter the amount in box 4.62 even if you have already claimed it (and make a note of the amount in the 'Additional information' box, box 4.79).

Overlap relief - untaxed investment income

boxes 4.64 to 4.66 Enter in box 4.64 any unused overlap profit brought forward for your 'notional business' (see page PN2), in box 4.65 any overlap relief used this year, and in box 4.66 any unused overlap profit carried forward.

Overlap relief may be due on your share of untaxed investment income if:

- you ceased to be a partner in 2000-2001, **or**
- the partnership changed its accounting date.

In such circumstances the relief is to be given first against your total untaxed income. If there is an excess, this can be set off against your total income for 2000-2001. Details of how this relief is calculated can be found in *Help Sheet IR222: How to calculate your taxable profits*.

Normally it will be to your advantage to claim overlap relief against untaxed income which may only be liable at 22% (box 4.67) before any income which may only be liable at 20% (box 4.35). You can claim the relief by:

- entering in box 4.65 the amount of available relief up to a maximum of the amount which will reduce the figure in box 4.67 to zero, **then**
- including any unused excess in boxes 4.29 and 4.32 (again, up to the maximum of the amount which will reduce the income in boxes 4.30 and 4.34 to zero), **and**
- finally, including any remaining unused excess in box 4.15 to be set against your other 2000-2001 income.

Your share of taxed income and tax paid

boxes 4.68A to 4.78 The basis period for all investment income which has had UK tax deducted at source is the tax year 6 April 2000 to 5 April 2001. This is true even if the partnership carried on a trade or profession.

Enter your shares of the partnership's taxed income (liable at 10%) in box 4.68A, the taxed savings income in box 4.68 and other taxed income in box 4.71.

boxes 4.69A, 4.69 and 4.72 You can claim tax credit relief in the Foreign Pages, available from the Orderline, for foreign tax paid. Enter in box 4.69A, 4.69 or 4.72 the amount of the foreign tax deducted from income within boxes 4.68A, 4.68 and 4.71 respectively, for which you are **not** claiming tax credit relief. Deduct it when entering the figures required in boxes 4.70A, 4.70 and 4.73 respectively.

box 4.73 Enter in box 4.73 the total of your shares of partnership income for 2000-2001 **excluding** that income which may only be liable at 20%. This total should include any trading or professional income from box 4.22, any untaxed investment income from box 4.67 and the taxed income from box 4.71 *minus* any deduction for foreign tax entered in box 4.72.

Tax paid

Enter your shares of the Income Tax deducted in box 4.74, the deductions made by contractors on account of tax (CIS25 tax) in box 4.75, other tax deducted from trading income (not CIS25 deductions) in box 4.75A, tax credits in box 4.76 and notional Income Tax in box 4.78.

- Accrued income

Accrued income securities include all interest-bearing securities, including permanent interest-bearing shares in a building society, government loan stock and company loan stock, but not shares in a company or National Savings certificates.

You should calculate charges or reliefs for securities you or the partnership have bought, sold or transferred, where the next interest payment after the purchase or sale fell between 6 April 2000 and 5 April 2001.

No charge arises and no relief is due for 2000-2001 if the nominal value of **all** your accrued income securities (including your share of any partnership holdings) held at any time in 2000-2001 or 1999-2000, did not exceed £5,000.

If it did, a charge will arise if you or the partnership purchased securities without accrued interest (ex-dividend) or sold securities with the accrued interest (cum-dividend). The amount of the charge will be the adjustment for the accrued interest not received, that is, the amount by which the purchase price was reduced (purchase ex-dividend) or the sale price was increased (sale cum-dividend).

Again, if your total nominal value exceeded £5,000, a relief will be due if you or the partnership purchased securities with accrued interest (cum-dividend) or sold securities retaining the right to the next interest payment (ex-dividend). The amount of the relief will be the adjustment for the amount of extra interest received, that is the amount by which the purchase price was increased (purchase cum-dividend) or the sale price was decreased (sale ex-dividend).

The acting partner will provide details of securities bought and sold, your share of any interest received and any accrued interest or relief.

For **each kind** of partnership security, combine the charges and reliefs to produce a net figure. Where the charges exceed the reliefs on your share of the partnership securities include the total net amount in box 4.68. Where the reliefs exceed the charges for a kind of security, deduct the excess from the interest received from that kind of security, and enter the reduced amount of interest in box 4.68.

Provide full details of the income, charges and reliefs in the 'Additional information' box, box 4.79 on Page P4.

You must include details of accrued income or reliefs on non-partnership holdings bought and sold, in the relevant part of your Tax Return - see the note on page 11 of your Tax Return Guide.

Glossary

Accounting date The date to which the partnership's accounts are made up.

Basis period The period on which your profits for the tax year are based.

Investment business Any business carried on by the partnership that does not amount to carrying on a trade or profession.

Overlap profits and overlap relief Overlap profits arise when basis periods overlap so that the same profits are taxable in two different tax years. Overlap relief deducts the overlap profits in a later tax year so that over the life of your business you do not pay tax on more profits than you earn.

Trade Any commercial operation supplying goods or services to a customer for profits is likely to be regarded as a trade. If you are in doubt whether you carried on a trade, profession or vocation during 2000-2001, ask your Inland Revenue office or tax adviser.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.